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Committees
Economic Development, Small
Business and Regulatory Reform VC
Families and Human Services VC
Government Operations
Health Policy

The Jacobs Report

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APRIL REVENUES FALL

Michigan's Senate Fiscal Agency released figures last week showing that total revenues gained from Michigan's largest taxes fell by 5.5 percent from last year, netting the state a total of slightly less than \$1.7 billion. The drop was the biggest monthly decline so far in the 2002-03 fiscal year. Analysts concur that the decline was due, in part, to weak annual income tax and use-tax collections.

The announcement of poor April revenues comes just two days after the Revenue Estimating Conference forecast that School Aid Fund revenues for the current year would be \$91.9 million less than the January estimate.

The state's income tax was down 12.1 percent from last April. The gross income tax was down only 7.5 percent, but was further reduced by tax refunds that totaled \$374.8. Sales taxes for April were down 3.1 percent, to \$533.5 million, and would have declined even further had sales on heavily discounted automobiles not increased by 10.8 percent.

Bucking the trend, tobacco and gas taxes were up 47.3 and 152.6 percent, respectively. The tobacco tax was raised last year, accounting for the increase in revenue. Still, most taxes showed diminishing returns, as the use tax dropped by 18.1 percent and the single business tax was down by 0.3 percent.

February to April accounting marks the second quarter of the current fiscal year. Compared to last year, revenues collected were up 0.4 percent for the quarter. The April decline in collections followed two months of revenue increases.

SCHOOL AID TO TAKE THE GREATEST HIT

The Revenue Estimating Conference also forecasted that Michigan's school aid fund will decline by nearly \$200 million through the end of the current fiscal year. General fund revenues are expected to remain steady during that time.

While the overall economy has weakened in recent years, general fund revenues were typically revised downward while school aid monies stayed relatively strong. This was due to consumers' willingness

--more--

to spend even as the economy dropped. Now that the spending spree has slowed considerably, school aid revenue will take a large hit, as most of the school aid fund is fed through the sales tax.

Although Senate Fiscal Agency Director Gary Olson, House Fiscal Agency Director Mitch Bean and Treasurer Jay Rising agree that economic fundamentals are sound for a turnaround, future tax growth is not as certain.

The conference's decision not to change its general fund revenue estimate for the remainder of 2002-03 will save lawmakers and Governor Granholm from having to enact more cuts in state budgets.

Overall, the state will collect \$343 million less than it did during the 2001-02 fiscal year. To put this in better perspective, the general fund revenues for both the current *and* upcoming fiscal years will be almost \$1.5 billion less than Michigan's peak during the 1999-2000 fiscal year.

The Granholm Administration says that it is still committed to ensuring a \$6,700 per pupil allowance for school funding. The Michigan Legislature hopes to solve this budgetary problem without forcing schools to make additional cuts.

COMING UP THIS WEEK IN THE SENATE

As various budgets await consideration in their respective Senate committees, the Senate as a whole continues debate on two bi-partisan bill packages currently scheduled on the Senate Calendar. One package would reform the statutory rules for setting small group insurance rates. These bills are tie-barred and thus will not go into effect unless signed into law together. The second package of bills is an independent collection of legislation reported out of the Senate Committee on Health Policy earlier this month. SB 50 (Jacobs) would require health clubs to enact certain procedures to address medical emergencies. SB 179 (Hammerstrom) would require a certificate in sport safety training for interscholastic athletic coaches. HB 4038 (Rocca) would require teachers to be certified in cardiopulmonary resuscitation (CPR). Also returning to the calendar for consideration is SB 395 (McManus), a bill that would outlaw certain abortion procedures by creating a new definition of legal birth.

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

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